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ABSTRACT

A staff report on the availability of financial aid funds to students in California was presented to the Board of Governors of California Community Colleges and includes 13 recommendations for action. The report indicates a continuing increase in federal aid funds since 1955, with over $8 billion available in 1978-79. A review of federal and state programs, such as Basic Educational Opportunity Grant (BEOG), College Work Study Program (CWS), National Direct Student Loan Program (NDSL), and the California Guaranteed Student Loan Program, covers regulations as they affect aid operations, identifies problems and their potential impact, and provides explicit examples of such problems. Recent developments in financial aid are described including the work of the Student Financial Aid Policy Study Group, federal demands for accountability, and staff concerns regarding the effects of Proposition 13. Underutilization of funds is cited as a major concern and a list of contributing factors is enumerated. The effects of the possible imposition of tuition fees is examined including what amount students would pay and how fees will affect aid financing. A description of features and effects of the Middle Income Student Assistance Act (MISAA) concludes the report. A chart listing distribution of BEOG awards by college is appended along with related policy documents and regulations. (DB)

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STUDENT FINANCIAL AID. AGENDA ITEM 3

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California Community Colleges

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JC 790 409

Presented to the Board of Governors of the
California Community Colleges

July 26-27, 1979

Board of Governors of the
California Community Colleges
July 26-27, 1979

Item 3

Title: Student Financial Aid

Staff presentation: Dr. Ronn Farland, Acting Administrator
College Services

Rod Tarrer, Specialist
College Services

Summary

This item is intended to provide the Board of Governors with updated information regarding the availability of financial aid funds for students in the California Community Colleges. The item attempts to inventory financial aid from state and federal sources administered by and through community colleges aid officer. These data have been supplemented by information from federal and state agencies and documents concerning other aid available and information from local colleges.

Additional topics covered include the management of the federal Bureau of Student Financial Aid (BSFA) campus-based programs: (1) Supplemental Educational Opportunity Grant (SEOG), (2) College Work Study Program (CWSP), and (3) the National Direct Student Loan Program (NDSL); the campuses' underutilization of available funds; staffing and administrative problems in community college aid offices; the impact of the Middle Income Student Assistance Act (MISAA) on community colleges; a discussion of tuition and fees; and recommended action.

Some of the major problems identified by staff are:

(1) students experience problems because of the complexities of the application process,

(2) federal and state regulations which are not sensitive to community college operations,

(3) underutilization of campus-based funds,

(4) the lack of a formal, consistently applied financial aid policy, and

(5) staffing of aid offices with sufficient qualified personnel to provide adequate service and prevent audit exceptions.

The existence of major problems in the administration of financial aid and the lack of coordination among schools and programs is recognized. However, serious consideration must also be given to the impact of Proposition 13 on all areas of student support services and the additional problems it will create for financial aid offices.

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Background

Financial assistance to students has become increasingly important to the overall financing of postsecondary education during the past 20 years. In 1955-56, the total amount of financial assistance available to students in postsecondary institutions nationwide was estimated to be $96 million. By 1974-75, this amount had grown 66 times to nearly $6.4 billion. During 1978-79, over $8 billion is available for financial aid programs.

A significant factor in the dramatic increase in the availability of aid dollars was the increasing demand for more education and training from individuals who had neither availed themselves of postsecondary education nor had the opportunity to take advantage of such education. Specifically, these new or non-traditional students are comprised of:

a) persons from low income families;

b) persons from racial and ethnic minority groups;

c) single parents;

d) persons from age groups outside the previously typical 18-to-21-year-old "traditional" college population;

e) women reentering the education system, and;

f) Handicapped persons.

Because these individuals could not usually afford the full costs of education, their needs and demands for education have created a demand for more and different types of student aid programs.

The needs of both traditional and non-traditional students have been focused on by educational institutions, governmental agencies and legislative bodies, private associations and student aid programs themselves. Many of these parties have responded by creating new aid programs and changing existing programs.

Last year, the financial aid agenda item addressed various major federal and state financial aid programs in community colleges. The item also identified major problems that financial aid administrators face in their operations.

The purpose of this item is fourfold;

1) update last year's data,

2) review federal and state regulations and developments as they affect financial aid operations,

3) identify new or continuing problems and the possible impact on community colleges, and

4) raise the level of consciousness of the students, staff, and administrators of California Community Colleges by including explicit examples of problems associated with community college financial aid operations

Recommended Action

The following recommendations are presented for the Board of Governors consideration and are an attempt to resolve some of the problems identified in the item and principles which the staff intends to follow as they relate to the administration of financial aid in the California Community Colleges.

1. That the Chancellor's Office take a more active role in the area of leadership, training and information dissemination by collecting annually

   a. copies of each college's student budget for review and publication

   b. copies of each college's student consumer bulletin for compliance and review

   c. fiscal reports showing programs, dollars, and number of students served and number of eligibles not served

   d. information on staffing patterns for purposes of model development

   e. criteria for measuring satisfactory progress of students.

2. That colleges review their financial aid policies in order to make those policies consistent with institutional purposes and goals and to insure full utilization of funds.

3. That colleges seek whenever possible individuals with significant experience in financial aid to fill vacant financial aid administrators positions.

4. That colleges not only require their financial aid officers to attend appropriate state and federally sponsored programs, conferences and training sessions, but to also take an active role in their development and presentation.

5. That the colleges provide adequate staffing in their financial aid offices to help insure the proper utilization and administration of federal and state funds; and that the financial aid office be in a centralized location convenient to the students it serves with adequate facilities for financial counseling as well as security for student files.

6. That colleges recognize that financial aid is an integral part of all aspects of student support and organizationally provide for the interrelationship between student support services, instruction and the business office.

7. That college business officers review their fiscal policies and procedures to ensure that the college is in compliance with federal regulations, e.g., separate accounts for NDSL, no comingling of federal funds with district money, interest on federal money, not matching CWSP properly.

8. That the Board of Governors provide each president with a "financial aid survival kit."

   a. A self evaluation guide to be completed by the financial aid and business offices with a report of their findings to the president.

   b. Copy of the institutions audit report for 1976-77, 1977-78.

   c. Information on financial aid consulting services avaliable to financial aid officers.

   d. A copy of the National Association of Student Financial Aid Administrators (NASFAA) competency criteria for financial aid officers.

   e. Copy of NASFAA journal article (Spring - 1979) re-staffing formula for aid officers.

   f. List of all planned training programs for financial aid personnel for the coming year.

   g. List of community colleges with operational data processing systems for financial aid.

   h. Summary list of key federal regulations affecting community colleges which create financial problems with regard to compliance.

9. That the Board of Governors, in cooperation with the California Community Colleges Federal Affairs Washington Office, communicate with the California Congressional Delegation, the Senate Education Committee, the House Education Committee, the U.S. Commissioner of Education, and the Deputy Commissioner, Bureau of Student Financial Assistance, supporting an increase in the administrative allowance for campus based programs and funding of the $10 Basic Grant allowance. It should be stressed to these groups that the California Community Colleges do not charge tuition and this has a positive impact on the total Basic Grant budget.

10. That the Board of Governors formally request that the Regional Office of Education Bureau of Student Financial Assistance unit notify the Chancellor's Office of the results of all program reviews audits, audit exceptions and/or problems concerning their review of financial aid operations at community colleges in California.

11. That the Chancellor establish a financial aid program review team to help colleges overcome problems before or after a Bureau of Student Financial Assistance program review.

12. That the Board of Governors express its desire for the California Student Aid Commission to accept Community College's individual campus student budget ranges as it now accepts them for all other segments of postsecondary education.

13. That the Board of Governors communicate with the U.S.O.E. to resolve a problem caused by the BEOG regulation cited in Appendix D. The communication should state that the regulation seriously hinders the open door policy of the California Community Colleges in insuring equal access to all by placing restrictions and conditions on non-high school graduate admissions. Further, that the U.S.O.E. accept the admissions application of the student and the acceptance letter from the institution as meeting the requirements of documenting a student's ability to benefit from training by having a written recommendation from professional educators, etc.

FINANCIAL AID PROGRAMS

FEDERAL

The Bureau of Student Financial Assistance of the U. S. Office of Education operates the following four major programs available to community college students:

1. Basic Education Opportunity Grant - (BEOG)

2. College Work Study Program - (CWSP)

3. Supplemental Educational Opportunity Grant Program - (SEOG)

4. National Direct Student Loan Program - (NDSL)

Students who are enrolled or accepted for enrollment (full or part-time) in approved postsecondary educational institutions may apply for assistance under these programs.

A fifth program of the Bureau of Student Financial Assistance is the State Student Incentive Grant program (SSIG), which provides funds to the California Student Aid Commission to enhance state financial aid programs.

Basic Educational Opportunity Grants (BEOG)

For most students, federal student aid begins with Basic Grants, which provide a foundation of financial assistance to which other forms of aid may be added. A distinguishing feature of this program is its central concept of "entitlement," which guarantees that students who demonstrate need will receive a grant based on that need and on the cost of education at the postsecondary school they choose to attend.

Basic Grants for the 1979-80 award period (July 1, 1979 to June 30, 1980) will range up to $1,800, depending on the student's eligibility as determined by a standard formula. The maximum Basic Grant for the community college student usually does not exceed $762.

To be eligible for a Basic Grant, a student must: (a) be determined to have financial need based on the Basic Grant eligibility formula and the cost of his or her education; (b) be an undergraduate who is enrolled at least half-time in an eligible program at an eligible institution; (c) meet citizenship requirements; and (d) not have used his or her full eligiblity for Basic Grants.

In general, students may receive Basic Grants for four full years. However, they can receive a Basic Grant for up to one additional year if they meet Office of Education's established criteria.

Community college participation in the BEOG program over the past three years is indicated in Table A. (Individual college participation is shown in Appendix A.)

TABLE A

Basic Educational Opportunity Grant Program

Year	Students	Amount	Average Award
1975-76	71,696	$40,903,249	$570
1976-77	105,879	$57,502,089	$543
1977-78	107,037	$54,529,433	$509

The sudden increase of $16 million and 34,000 students from 1975-76 to 1976-77 reflects the tremendous growth of the BEOG program in community colleges.

One explanation for the yearly drop in the average award relates to the fact that the BEOG program is need based. Consequently, more students applied for and received grants which were less than the maximum because their need was not as great as the prior year recipients.

The slight increase in students during 1977-78 over 1976-77 is an indicator that the BEOG reached a sustaining level based on the eligibility criteria in effect during those years.

CAMPUS-BASED PROGRAMS

The Supplemental Education Opportunity Grant (SEOG), College Work-Study (CWSP), and National Direct Student Loan (NDSL) programs are referred to as campus-based programs. Under these programs, institutions apply annually to the Office of Education for funds, receive these funds directly, and the financial aid officer at each school determines which applicants are eligible and how much each will receive. Students can apply for aid under all three of these programs.

While the Office of Education sets broad guidelines regarding the distribution of these funds, individual schools set specific requirements and eligibility criteria. Therefore, the descriptions below are necessarily general and students must obtain specific information from their schools.

Supplemental Educational Opportunity Grants (SEOG)

In order for a student to be eligible for SEOG assistance, a student must be enrolled in a participating institution on at least a half-time basis and must demonstrate "exceptional financial need."

"Exceptional financial need" means that a student's expected family contribution may not exceed fifty percent of his or her cost of education at the institution in which the student is enrolled or accepted.

Table B is a summary of community college participation in the SEOG Program over the past three years.

TABLE B

Supplemental Educational Opportunity Grant Program

Year	Students	Amount	Average Award
1975-76	16,037	$7,527,663	$469
1976-77	18,042	$8,096,829	$448
1977-78	16,624	$7,126,573	$428

College Work-Study Program (CWSP)

The CWSP provides employment opportunities for students enrolled in participating institutions on at least a half-time basis to assist them in earning the funds necessary to meet the costs of education.

Student eligibility is restricted to those students with the "greatest need" after considering all grant aid the students are receiving. As is the case of the SEOG Program, "greatest need" is determined by each institution using a need analysis system approved by the Office of Education.

Currently, students who receive assistance through the CWSP may not work more than forty hours per week and the total amount of aid received is dependent on both the number of hours of employment and the hourly rate of pay. The student's school will arrange for employment under the CWSP. Students can work either for the institution itself, or the school may arrange for off-campus employment with public or private non-profit organizations for work performed in the public interest.

The compensation paid to CWSP recipients consists of federal funds and funds from the employing organization (the institution or the off-campus agency). In no case can the federal share of student compensation exceed 80% of the total compensation. Therefore, it is the institution's responsibility to arrange for the remaining portion. Table C compares the 1975-76, 1976-77, and 1977-78 CWSP awards in community colleges.

TABLE C

College Work Study Program

Year	Students	Amount	Average Award
1975-76	21,754	$13,780,650	$633
1976-77	24,699	$14,162,056	$573
1977-78	19,971	$13,613,2[illegible]	$681

National Direct Student Loan Program (NDSL)

The NDSL is the third program sponsored by the Office of Education. In order to receive NDSL assistance, students must be enrolled in participating institutions on at least a half-time basis and must demonstrate financial need.

Students receiving NDSL assistance may borrow funds to help pay for their educational expenses.

Table D is a three-year history of community college participation in the NDSL program.

TABLE D

National Direct Student Loan Program

Year	Students	Amount	Average Loan
1975-76	10,565	$5,719,959	$541
1976-77	10,125	$5,514,083	$544
1977-78	8,685	$4,694,519	$540

STATE

Because of the size of California's diverse population there exists a variety of needs for those who wish to attend college. The primary need is access to postsecondary education and for many, access is contingent on financial aid.

California took action in 1957 to address the financial need of students attending college with the following statement of purpose.

> "The State Scholarship Commission administers a statewide system of competitive scholarships that enables a group of qualified students to attend the college of their choice."

Because of financial considerations these students would be unable to attend a particular college without scholarship assistance. In 1957, the program provided $231,000 for 599 students attending 4-year colleges. This early program was for a small select group of students and was not based on the desire to afford access but rather choice to a few. Twelve years later after several years of social turmoil, the Legislature enacted the College Opportunity Grant Program, and the EOP and EOPS programs to provide disadvantaged students with access to postsecondary education.

In 1975 the California Legislature took its most far-reaching action regarding state funded financial aid programs with the passage of AB 1031. The purposes, as described in the following language, state a renewed interest in financial aid:

- Student assistance programs have the primary purpose of providing equal opportunity and access to postsecondary education for persons of both sexes, and all races, ancestries, incomes, ages and geographics in California;

- Student aid programs should enhance the ability of individuals to choose the most appropriate postsecondary educational opportunity;

- Student aid programs should assist students to progress through the educational program in accordance with the individual's educational objectives;

- Student aid programs should provide assistance to individuals who desire to enroll in an independent college or university;

- Student aid programs should, furthermore, complement more general statewide goals for public postsecondary education;

- State purposes regarding student aid programs should complement the purposes of federal student assistance programs so as to enhance the effectiveness of state programs; the state's purposes mentioned above serve to support the purposes of the Federal Basic Educational Opportunity Grant Program.

These stated purposes give a new emphasis to financial aid, in particular how the money is spent and who receives it.

California Student Aid Commission Programs

The Legislature created the California Education Opportunity Grant program or "Cal Grant" in 1975 with the passage of AB 1031.

Cal Grant A replaced the State Scholarship Program; Cal Grant B replaced the College Opportunity Grant Program; Cal Grant C replaced the Occupational Training Grant Program. The Commission also operates several other smaller programs.

In the area of direct aid to students, the Commission operates two undergraduate programs of interest to the community colleges (Cal Grants B and C). The Cal Grant B program is intended to aid disadvantaged students as defined by the Student Aid Commission.

Table E tracks the growth of the Cal Grant B program in community colleges over the years.

TABLE E

Cal Grant B Program

Year	Students	Award	Average Award
1972-73	1,646	$1,455,735	$884
1973-74	1,901	$1,671,998	$879
1974-75	2,600	$2,135,500	$821
1975-76	3,155	$2,715,000	$860
1976-77	5,445	$4,886,100	$897
1977-78	6,689	$6,235,200	$932

The Cal Grant C program, although relatively small in comparison to the Cal Grant B program, offers vocationally oriented students an alternative to a conventional college education.

The Cal Grant C program has a maximum authorization of 1,337 grants for all segments. Of those, 486 grants totaling $225,990 for an average award of $465, were received by community college students during 1976-77. For the 1977-78 award year there were 434 grants, totaling $209,603 for an average award of $482.

The California Guaranteed Student Loan Program

A third program of interest to community colleges is the new California Guaranteed Student Loan Program.

The purpose of the program is to make low interest loans to students through eligible California lenders. The loans, obtained directly from commercial lenders or authorized educational institutions, are guaranteed by the California Student Aid Commission and reinsured by the federal government.

The Commission's Guaranteed Student Loan Program will gradually replace the Federally Insured Student Loan Program.

After June 1 of this year, all student loans made to new student borrowers by California financial institutions will be administered by the State and reinsured by the federal government. Students with outstanding federally insured loans must continue to borrow under the federal program.

In shifting responsibility for student loans to the states, the federal government has agreed to continue the same level of financial support.

Although the program is theoretically open to all eligible students, banks have for several years denied loans to community college students. Indications are that under the new loan program, banks will continue to be selective in granting loans. The primary reason is the high default rates among community college students and there is no current trend to indicate that the default rate has changed.

Extended Opportunity Programs and Services (EOPS)

EOPS has been providing access and services to non-traditional students since 1969. Even though the community colleges professed an open door policy, the Legislature recognized the need for a more aggressive effort, which not only guaranteed free entry, but also supported active recruitment and methods for retaining disadvantaged students in community colleges. Many students found that college was not only available to them, but that success was a realistic possibility. This prospect, combined with a positive attitude and skill development, made it possible for many students to set goals and to achieve academic and vocational success. Students who experienced personal or adjustment problems were able to receive help from specially trained counselors and/or peer counselors - students who had gone through the same trials. Students who experienced problems with basic skills or academic areas were given tutorial help. In addition, students requiring financial help beyond limited federal funding services received direct aid through EOPS.

Table F illustrates the state commitment to the EOPS program over the years.

TABLE F
Extended Opportunity Program and Services

Year	Students Served	State Allocation	Average Cost Per Student
1969-70	13,943	$ 2,870,000	$199
1970-71	19,725	4,350,000	209
1971-72	19,459	3,350,000	163
1972-73	20,730	4,850,000	212
1973-74	24,341	6,170,500	248
1974-75	23,917	6,170,500	258
1975-76	27,150	7,656,018	282
1976-77	40,724	11,484,027	282
1977-78	48,679	13,983,157	287
1978-79	N/A	17,389,919	N/A

DEVELOPMENTS IN FINANCIAL AID

The Student Financial Aid Policy Study Group

This group is worth mentioning due to its anticipated impact on student financial aid in the State.

The Student Financial Aid Policy Study Group has a legislative charge which states: the California Student Aid Commission and the California Postsecondary Education Commission shall jointly appoint a student financial aid policy group to review student financial aid policies and goals and reports to the Legislature no later than December 30, 1979, and that the study include, but not be limited to, four major issues:

1. how best to fulfill the purposes of student financial aid;

2. what is the appropriate level of funding and methods of distribution for student aid;

3. what are the responsibilities of different funding agencies; specifically federal, state, institutional and private;

4. how can the federal, state, institutional, private organizations and student partnership best be implemented in the State of California.

Appendix B is an outline of areas the policy study group will attempt to cover.

Federal Developments/Regulations

While state government has increased interest in and financing of student aid, the federal government has also made some major policy changes and proposals which could both help and hinder student financial assistance in community colleges. For the next few years community colleges will come under increasing federal scrutiny because of the under-utilization rate in the CWS and SEOG programs, the high default rate for the federal loan programs, poor program management which could lead to limitation, suspension and/or termination. There is also little room to doubt that many of the Community Colleges in California face additional problems with proposed rule changes regarding federal programs.

Appendix C is taken from the Federal Register August 10, 1978. It is only one indication that Federal regulations are being developed to increase accountability and curb fraud and abuse. A problem is created when community colleges which have an identified staffing shortage either do not or cannot react to the regulations once they are adopted.

Appendix D is an example of an adopted regulation which could have serious implications for all low income community college students eligible for a BEOG who do not possess a high school diploma.

Leo L. Kornfeld, the Federal Deputy Commissioner for Student Financial Assistance, recently issued a statement in the December 1978 Bureau of Student Financial Assistance bulletin, Special Note to the Presidents of Postsecondary Institutions. (Appendix E)

The Deputy Commissioner's message is clear--accountability for financial aid operations is a priority, and the federal government will step up its efforts to insure that college administrators are aware of the needs of financial aid operations.

Regional Office of Education Concerns

The total value of the aid office on campus cannot be adequately stressed, because without financial aid many students could not and would not attend college. Financial aid offices in the community colleges have traditionally been understaffed because they have not been recognized as being vital to the operation or survival of the institution. This is why the Senior Program Officer from the Region IX Office of D.H.E.W. finds some areas of concern which must be addressed by administrators if community college aid programs are to meet the demands of accountability set by the Federal government. His concerns include:

1. The need for separate accounts for campus based funds. They should be consistent with accounting regulations adopted by the BSFA. In many instances interest earned on federal funds cannot be determined and/or there is no clear identification of local contribution or loan repayment funds.

2. There is no clear delineation of responsibility for financial aid accounting, loan collecting, etc., between the financial aid and business office. This is particularly true regarding NDSL Due Diligence requirements.

3. The need for a written policy and the consistent adherence to that policy is evident on many campuses.

4. Underutilization of funds.

5. Colleges need a consistent definition of "Level of Effort."

6. A lack, or inadequate monitoring of the application process, of previously awarded aid, of outstanding loans, of V.A. assistance, of social security and state aid, etc.

7. Inadequate monitoring of off campus work study and pay inconsistent with the job performed. Lack of a wage rate differential or clear job descriptions.

8. Staff problems exist at most community colleges.

A complete list can be found in Appendix F.

Not all community colleges fall into these categories. The list merely states problems that financial aid offices in community colleges experience in the administration of the federal aid programs.

The Office of Education has as a basis for its concerns the program reviews of 37 community colleges conducted over the past 2 years.

The following are examples taken from actual program reviews which illustrates the extent and depth of problems associated with the administration of financial aid.

1. Program review conducted in 1973, however, the aftermath remains:

   The findings: Federal funds paid to students ineligible for financial aid or to students in excess of their financial need - students need not be established, must repay federal government over $450,000.

2. It appears that a number of corrective actions are in order and that among these would be a reconstruction resulting from a re-review of the student aid packages and awards for each program, in accordance with existing regulations. This review would go back for five years and may result in the institution owing sizable refunds to the various program accounts.

3. The institution is required to verify student enrollment status and to determine that the student is making satisfactory progress according to the institution's practices and policies prior to each disbursement of aid.

4. The institution had not secured affidavits of educational purpose for Basic Grant disbursements since its entry into the Basic Grant program in award year 1973/74. Basic Grant disbursements exclusive of the 1978/79 award year total approximately $344,000. The institution has been asked to obtain the required affidavits. Repayment will be required in cases where the affidavit is not obtained. This could amount to $132,000.

5. The institution did not have a separate bank account identified as the institution's NDSL fund account into which the Fund's cash and no other funds are placed. (144.19(b)) The institution's response should indicate that the separate account has been established.

6. The institution is advised that eligibility requirements for all student financial aid programs administered by the U.S. Office of Education state that the student must be enrolled or accepted for enrollment on a half-time basis (half-time is defined as a minimum of six semester hours for institutions which measure progress in terms of semester hours). Students who are enrolled on at least a half-time basis must be considered equally with students enrolled on a three-quarter time or full-time basis in awarding aid. The determination of the amount of aid awarded is based on the student's need, other eligibility requirements having been satisfied.

7. A review of 36 NDSL promissory notes indicated that 11 borrowers involving $2,523 did not sign the terms of the loan. If this sample is representative of the approximately 1,200 loans granted, the institution may have loans totalling $100,000 with this defect. Where the required signatures cannot be obtained and the borrower refuses to make payment, and the institution cannot effect collection, the institution must restore the principal and accrued interest to the NDSL fund. The institution's response to the review report should indicate the results of the promissory note review, both as to number of students and dollar amount involved, and the actions being taken in this area.

8. Section 493A of Title IV of the Higher Education Act was amended by the Education Amendments of 1976 to require institutions which receive an administrative cost allowance to provide Student Consumer Information. Regulations were published pursuant to this statute on December 1, 1977. At the time of the review, the institution had not satisfactorily complied with these regulations. The institution did not have all required material available at the time of the review.

   Examples of items which are missing include:

   A. Written selection criteria and the criteria for determining the amount of a student's award per Section 178.4(a)(3);

   B. The criteria by which a student who has failed to maintain progress can re-establish eligibility for payment per Section 178.4(b)(2); and

   C. Student retention data per Section 178.4(f).

   The institution is advised that entitlement for administrative allowance is based upon compliance with the Student Consumer Information regulations. Any administrative allowance drawn must first be used to provide this information. The institution must review the requirements of the December 1, 1977 Student Consumer Information regulations and take the necessary steps to comply.

   The institution must document the amount it has spent which is directly attributable to providing this information. Administrative allowance in excess of this amount may not be drawn from the institution's 1978 allocations for the campus based programs. The institution is advised that as the information provided in the catalog is required by the Student Consumer Information regulations, the costs of printing the catalog may be included in determining the amount spent. However, costs applied against a particular year's administrative allowance must have been incurred in that year.

9. During the course of the review, institutional officials indicated that during past periods (prior to 1976-77) relationships between the financial aid office and some of the other institutional administrative units had not been good. Coordination and communication with other segments had deteriorated to the point where the financial aid office was barely functional. In the 1975-76 award period gross underutilization of available funds occurred. Numerous student complaints were engendered by these conditions. The present Director reports that when he took over the office in 1976 he was unable to locate many documents and records.

10. Institutional officials report that the institution inadvertently destroyed all institutional student financial aid records for the year 1974-75 according to the Director of Student Financial Aid. In the response to this report the school should explain the circumstances surrounding the inadvertent destruction.

11. In the light of the past several years experience at the school, and the situations described above, the institution must have an audit of the NDSL, CWS, SEOG and BEOG programs of the years 1977-78, 1976-77, 1975-76, 1974-75 and 1973-74. The audits shall be performed using the Audit Guides issued in July 1978 (NDSL, CWS, SEOG) and June 1978 (BEOG). In the response to this report the school is to submit a proposed time table for the completion of such required audits.

This brief sampling indicates problem areas a college can find itself in through either negligence or poor administrative practices. Regardless of which specific circumstances are problematic on individual campuses, the broad issues are ones which affect student aid, and, therefore, students, on all campuses. Because of this the Board of Governors should take an extraordinary interest in the operation of financial aid statewide.

In addition to the Board, local boards of trustees and local chief executive officers share responsibility for improving the equitable delivery of student aid in the colleges. Therefore, the following procedure is suggested as a joint action for communicating student financial aid concerns.

1. Notify the local Board of Trustees and President/Superintendent that the Board of Governors is in receipt of information from the Bureau of Student Financial Assistance concerning the results of the most recent program review and that;

2. The results of the program review identified problems with their financial aid operations; and

3. The Board of Governors request notification of the action the President/Superintendent will take to address the concerns of the Bureau of Student Financial Assistance.

Staff Concerns

In the aftermath of Proposition 13, it appears that college administrators see areas of student services as prime targets for budget cuts. Recent surveys conducted by the Chancellor's Office indicate that some colleges have taken steps to freeze positions when vacated, eliminate budgeted positions and/or combine positions within the financial aid office such as increasing the aid officers responsibility. The overall affect of this type of action is a reduction of staff, reduction of service and a reduction in administrative capability. It is conceivable that qualified students may not be served because of such budget reduction.

It is important to recognize the fact that the campus based programs provide an administrative allowance which helps offset some of the cost associated with the NDSL, CWSP, and SEOG Programs. However, the Basic Grant program, which serves over 107,000 students with over 54 million dollars, offers no such allowance. Some relief could be gained if the federal government would fund the authorized administrative allowance for the BEOG Program of $10 per year for each student who receives a basic grant. For the colleges it could mean as little as $600 per year or as much as $52,000 per year. It should be noted that the federal government offers two methods of disbursement for the BEOG program which are described in Appendix F. Schools which use the alternate method do not issue checks to BEOG students; instead, the funds are issued by the Office of Education directly to the student.

Underutilization

The Chancellor's Office has identified as a major problem in the administration of financial aid the underutilization of the SEOG and CWS programs. Table G indicates the severity of the problem.

TABLE G

SEOG, CWSP Utilization Rate

Year	Total Allocation	Utilization Rate	Amount Returned	Underutilization Rate
(SEOG)				
1976-77	$11,602,829	59.8%	$3,506,000	30.2%
1977-78	8,326,599	85.6%	1,200,026	14.4%
(CWSP)				
1976-77	$15,881,729	89.2%	$1,719,673	10.8%
1977-78	14,787,729	92.1%	1,174,463	7.9%

The staff offers the following list as possible reasons contributing to the underutilization of funds. It is not in the best interests of students, the colleges, or the profession of financial aid administration to further tolerate this problem.

Underutilization of financial aid funds is continually cited as evidence that something is wrong in the aid offices. As with all financial aid situations the complexities of the programs must be understood to avoid erroneous assumptions about the administration of financial aid. This list is not inclusive and should not be viewed as the total problem on all campuses nor the sum of problems on one campus. It is to be looked at in the context of problems as they are shared individually or collectively on those campuses which return funds.

1. Philosophical differences among aid administrators and colleges:

   a. Some aid administrators do not believe in the concept of financial aid; some do not believe in grants or full grant funding.

2. Federal restrictions make it difficult to spend funds on genuinely needy students.

   a. Many needy students are not eligible for a variety of reasons.

   b. SEOG is divided into initial and continuing year funds and the aid administrator has no option in allocating funds to students.

3. The Office of Education offers supplemental funds so late in the year that colleges find it difficult to use them.

4. Staffing shortages in financial aid offices make it impossible to process the amount of paper required to administer the program as required by Office of Education.

5. Business offices place restrictions on awarding of funds which limits full utilization.

   a. Over-commitment of funds to offset attrition is not allowed.

6. Students are discouraged from applying for financial aid when the complexities and requirements become overwhelming.

7. When students drop out late in the year, the aid administrator cannot reallocate the funds to other students (similar to number 5).

8. Student misinformation about application deadline dates results in many eligible students not applying.

9. Some financial aid administrators lack experience.

   a. Many colleges downgrade vacant positions in order to save money and fill them with inexperienced administrators.

10. The California Student Aid Commission uses a standard budget for all community colleges in the state.

    a. The aid administrator has no flexibility when awarding grant aid to students receiving Cal Grant funds.

11. Financial aid offices do not receive sufficient management support from higher administrative levels on most campuses.

    a. Many college administrators view financial aid as a nuisance which offers no direct sources of revenue to their institution.

    b. Many colleges do not have the data processing capability needed to give the aid administrator timely reports on utilization of funds.

12. College Work Study wages may contribute to underutilization of CWS funds.

    a. Most colleges pay only the minimum wage.

    b. Colleges do not offer pay differential for jobs.

    c. Insufficient staffing to handle administrative functions.

In light of these identified concerns and problems regarding the utilization rate, there may be evidence that financial aid administrators are doing the best possible job given an exceedingly difficult set of circumstances.

The list should not be cited as the sole set of reasons for underutilization of funds. A recognition of other circumstances unique to individual campuses must also be considered.

FINANCIAL AID AND TUITION

The purpose of this section is to illustrate what the imposition of tuition and fees could mean, what impact it will have on financing community colleges, and how the students will pay for this added cost.

Some basic definitions are needed to insure that there is a concise and clear understanding of all terms. The first issue is the student expense budget and what it means.

Student Expense Budget

A student expense budget is meant to be all-inclusive in order to provide for both direct educational and living expenses. The expense budget for the typical student at a postsecondary institution is made up of five principal parts: tuition and fees, books and supplies, room and board, personal expenses, and transportation cost. In determining an individual student's financial need, the institution will begin by determining a budget with these items and then consider other expenses that may be necessary such as medical care, debt repayment, extra expenses because of a handicap, etc. But the basic five items are generally included in the budget used for all students.

A tuition charge, if imposed by the community colleges, would have the immediate affect of increasing the student expense budget.

Tuition is an institution's charge for instruction and is not currently applicable to California's community colleges. Fees, however, may be charged for services to students, and most community colleges currently charge some type of fee for health care, parking, activities, etc. Colleges have the capability to handle a slight increase in the amount of money institutions are currently collecting, which averages $15 for those schools reporting.

While the actual instructional costs vary from one institution to another according to the curriculum and types of educational programs offered, the amount of tuition and fees charged students is more closely related to the kind of institution they are attending. As a general rule, tuition and fees at public institutions are the lowest for students who are residents, and the tuition generally is set below the actual cost of providing educational instruction.

The following student expense budget was developed by the California Community College Financial Aid Administrators Association in conjunction with the California State Universities and Colleges Aid Administrators. The document is another step which the Association has taken to achieve maximum uniformity while allowing institutions to retain the flexibility they must have in order to handle their unique needs (See Appendix H).

California Community College Financial Aid Administrators Approved Budget Ranges for Four Categories

Single Commuter Dependent	$1,835 - $2,420
Off-Campus Independent	$3,175 - $3,895
Married, No Children	$4,795 - $6,190
Single Parent - One Child	$4,795 - $6,190

It can be assumed that any tuition charge would add to the student budgets above.

The Impact of Tuition

Once the student budgets are changed to reflect a tuition amount, the colleges must then determine the impact at varying levels; however there are also a number of assumptions which can be made about a tuitional fee charge. The following assumptions are not a comprehensive list or problems all colleges will face, but an attempt to make everyone aware that collecting tuition is expensive in terms of time, resources, and money.

1. A loss of student enrollment will occur throughout the system. The exact number has not been determined. However, the analytical studies unit of the Chancellor's Office is currently in the process of collecting data in order to estimate the enrollment loss if a tuition charge is adopted.

2. College student expense budgets would have to be increased to reflect the tuition charge. This would cause an immediate increase in the dollar amount of Basic Grants that eligible students would receive. Students would also receive larger financial aid awards from campus based programs.

3. When applying for campus based funds, institutional need would change and could possibly redirect an undetermined amount of federal financial aid away from schools that had received them in the past (assuming no increase in federal aid).

4. Many community college students tend to enroll close to the beginning of the semester or quarter. This creates a problem for the financial aid office, business office, and admissions office. Policies regarding tuition deferment, and tuition refund, would have to be addressed.

5. Community colleges would be eligible to participate in the Student Aid Commission's Cal Grant A program along with an increased emphasis in the Cal Grant B program. This would cause an increase in the administrative functions within the business and financial aid offices.

6. Community Colleges would, in general, need to:

   a. have additional security - buildings, employee
   b. add to and/or bond employees

c. develop new and/or additional accounting procedures
d. expand student accounts
e. increase staffing
f. increase coordination between business, admission, and financial aid office
g. anticipate percent of enrollment decline
h. increase computer use

7. The financial aid office would necessarily need additional staffing to meet needs of student aid recipients.

Many districts will experience problems based on their degree of sophistication in handling tuition collection.

Who Will Pay and How

Need-based financial aid awards have always been based, to some degree, on the need of the applicant. The National Defense Educational Act of 1958, the Educational Opportunity Act of 1964 and the Higher Education Act of 1965 created federal student aid programs that were all based on stringent need requirements and required careful documantation for each award.

Needs analysis is a technique which may be used to arrive at an estimate of the student applicants financial assistance needed to help meet his or her educational expenses. It consists of two major components:

1. arriving at an estimate of the applicant's and/or the family's ability to contribute to education expenses, and

2. arriving at an accurate estimate of the educational expenses themselves.

An assessment of the applicant's and/or the family's ability to contribute to educational expenses ordinarily involves arriving at a reasonable contribution derived from:

1. current income,

2. assets, and

3. student's own financial resources.

Since these represent the sources of financial strength for a given family, the needs analysis procedure is completed when the family's estimated contribution from these three sources is subtracted from estimated educational cost.

The following tables are from the Student Resources Survey (SRS) conducted by the California Student Aid Commission published August 1976.

Table H provides the distribution of parental incomes reported by students who completed the SRS.

Table I is student reported parental income by segment. It should be noted that community college students have the lowest mean and median incomes of all segments surveyed.

The community colleges include the largest percentage of students with family incomes below $12,000, the level generally considered eligible for federal campus-based student aid programs.

TABLE H

Student-Reported Parental Income
By Segment

Parental Income	U.C.	C.S.U.C.	C.C.	I.C.
Under $3,000	5.3%	9.8%	12.3%	3.2%
$3,000 to $5,999	4.4	8.3	11.1	5.5
$6,000 to $7,499	2.9	5.6	6.3	4.0
$7,500 to $8,999	3.5	6.5	7.7	5.0
$9,000 to $11,999	11.2	14.2	13.2	11.3
$12,000 to $14,999	12.7	15.9	13.4	12.6
$15,000 to $17,999	10.1	10.1	10.0	9.0
$18,000 to $20,999	10.7	8.3	7.4	10.3
$21,000 to $24,999	11.6	7.8	6.8	9.5
$25,000 and above	27.5	13.4	11.5	29.6
Mean	$18,347	$14,194	$13,090	$18,438
Median	17,970	13,056	11,864	17,800

Table I is student reported parental income by racial/ethnic group. The table indicates that minority students parents who have the lowest income would be those most adversely affected by a tuition charge.

TABLE I

Community Colleges Parental Income
By Racial/Ethnic Group

	White	Black	Chicano	Oriental	Indian
Under $3,000	9.7%	23.5%	15.2%	11.9%	16.0%
$3,000 to $5,999	9.0	22.2	14.6	11.3	8.0
$6,000 to $7,499	4.2	8.6	8.5	10.0	33.3
$7,500 to $8,999	5.8	5.9	14.6	11.6	4.0
$9,000 to $11,999	12.2	10.0	16.1	16.4	6.7
$12,000 to $14,999	14.6	10.0	11.5	13.7	13.3
$15,000 to $17,999	12.0	5.0	8.0	7.7	1.3
$18,000 to $20,999	8.7	5.[illegible]	4.3	6.3	1.3
$21,000 to $24,999	8.8	4.[illegible]	2.5	4.7	8.0
$25,000 and above	15.0	5.9	4.8	6.3	8.0
Mean	$14,764	$9,299	$10,072	$11,383	$10,400
Median	$13,870	$6,750	$8,702	$9,951	$7,171

A comparison of Tables J and K indicate that community college students have the smallest amount of parental contribution of all segments and overall less than all students responding.

TABLE J

Student Reported Parental Contribution
By Racial/Ethnic Group

	White	Black	Chicano	Oriental	Indian
None	30.3%	59.7%	51.0%	25.8%	57.5%
$1 - 200	11.8	17.0	18.6	17.6	17.2
$201 - 400	6.3	5.6	7.8	9.7	3.4
$401 - 600	5.6	4.7	6.2	6.9	5.7
$601 - 1,000	8.5	5.1	6.8	10.5	2.3
$1,101 - 1,500	8.1	2.3	3.5	6.8	5.7
$1,501 - 2,000	7.0	1.4	2.2	5.4	4.6
$2,001 - 2,500	6.0	1.6	.9	4.5	1.1
$2,501 - 3,000	4.9	.5	1.3	3.6	--
$3,001 and above	11.5	2.1	1.7	9.1	2.3
Mean	$1,023	$275	$325	$865	$333
Median	$458	$ 0	$ 0	$337	$ 0

TABLE K

Community Colleges Student Reported Parental Contribution
By Racial/Ethnic Group

	White	Black	Chicano	Oriental	Indian
None	46.8%	65.0%	51.2%	32.2%	64.2%
$1 - 200	20.6	16.2	20.7	26.9	12.3
$201 - 400	8.9	7.7	9.8	11.2	6.2
$401 - 600	5.9	2.3	6.5	8.0	7.4
$601 - 1,000	6.1	2.7	6.0	7.7	2.5
$1,001 - 1,500	4.2	2.3	1.3	3.5	1.2
$1,501 - 2,000	2.6	.8	1.4	4.7	2.5
$2,001 - 2,500	1.9	.8	.1	1.0	--
$2,501 - 3,000	.9	.8	.9	2.0	2.5
$3,001 and above	2.1	1.5	2.0	2.7	1.2
Mean	$366	$207	$270	$462	$257
Median	$ 32	$ 0	$ 0	$133	$ 0

TABLE L

Community College Student Reported Parental Contribution

Student Resources Survey	%	Total
None	50.8	
$ 1- 200	19.3	70.1
$ 201- 400	8.8	78.9
$ 401- 600	6.0	84.9
$ 601-1,000	6.2	91.1
$1,001-1,500	2.5	93.0
$1,501-2,000	2.4	96.0
$2,001-2,500	.7	96.7
$2,501-3,000	1.4	98.1
$3,001-above	1.9	
Mean $312		

Table L indicates that most dependent community college students' parents cannot help them significantly with the cost of attending school. Many of these students must and do rely on financial aid to help defray their cost of education. It is also obvious that few students could afford a tuition charge and would seek help in the form of financial aid.

The total amount of financial aid currently available to community college students is difficult to determine because of the variety of resources colleges draw upon. Therefore only the major financial aid resources will be reviewed (See Table M).

The most current information available is for 1977-78 for the federal and state financial aid programs affecting community colleges.

TABLE M

Financial Aid Received by Community College Students

Program	Students	Dollars
1. BEOG	107,030	$54,529,433
2. SEOG	16,624	7,126,573
3. CWSP	19,971	13,613,266
4. NDSL	8,685	4,694,519
5. Cal Grant B	6,689	6,235,200
6. Cal Grant C	486	225,990
7. EOPS Part C	25,799	6,390,303
	185,284	$ 92,815,284

Approximately 15% of all community college students received financial aid from the sources listed above during the 1977-78 academic year.

If a tuition was charged to students for 1980-81, the following assumptions could be made:

1) There would be a loss of students.

2) Some of the cost associated with a tuition charge would be absorbed by the BEOG program.

3) For those students who are eligible for a basic grant (BEOG) and receive one, those with the lowest income would receive an increase of $50 for the first $100 of tuition charge, $100 for a $200 tuition charge, and $200 for a $400 tuition charge.

	Maximum Award	
Currently	$762	No Tuition Charge
	$812	$100 Tuition Charge
	$862	$200 Tuition Charge
	$962	$400 Tuition Charge

The BEOG program would carry the brunt of any tuition charge - and although the burden would fall heavily upon low income students, institutions could develop methods of payment to ease the impact.

4) The community colleges total "need" based on the cost of education would increase if a tuition cost was charged, making each school eligible for a larger share of the federal campus-based programs, SEOG, CWSP, and NDSL.

5) Tuition would open the Cal Grant A program to community college students to receive an award which could pay the entire amount of the charge as long as there was financial need for that amount.

6) For the Cal Grant B program, all of those second year students currently receiving an award would be eligible to receive the full amount of a tuition charge. This would be for the majority of the 2,300 second year students in community colleges receiving a Cal Grant B.

THE MIDDLE INCOME STUDENT ASSISTANCE ACT (MISSA)

The MISAA signed into law by President Carter on November 1, 1978, significantly increases student financial aid benefits to middle income students pursuing a postsecondary education. In order to provide financial assistance to students from middle income families, the Federal government changed the method of calculating what a family is expected to contribute to their child's education so that a family is expected to contribute not more than 10.5% of its discretionary income for this purpose. Families are currently expected to contribute 20% of their first $5,000 and 30% of additional discretionary income for this purpose. This change is expected to bring approximately 1.5 million new students into the program.

In addition, the MISAA also has the following effects:

1. Will increase the authorized funding levels for campus-based Supplemental Educational Opportunity Grant (SEOG) and College Work-Study Programs (CWSP).

2. Sets a minimum funding threshold of $370 million for SEOG for Fiscal Year 1980.

3. Sets a minimum funding threshold of $500 million for CWSP for Fiscal Year 1980.

4. Provides that all students receiving guaranteed student loans be eligible for a federal interest subsidy while in school and during authorized periods of deferment, regardless of family income.

5. Provides that students in approved rehabilitation programs for disabled individuals be permitted to defer payment of their loans while in training.

6. Waives the age requirements for veterans participating in special programs for the disadvantaged.

7. Permits educational expenses for dependent children in elementary and secondary schools to be considered in computing financial need in the College Work Study and in the National Direct Student Loan programs.

The MISAA will have a dramatic impact on community colleges in many areas but the most dramatic increase will come in the form of additional BEOG.

The Basic Educational Opportunity Grant program (BEOG), which provides grants to financially needy undergraduate students, was created by the Education Amendments of 1972. The maximum grant which was initially set at $1,400 was increased to $1,800 by the Education Amendments of 1976.

The amount of a grant to any individual student is determined by subtracting the expected family contribution (in the case of a dependent student) from the maximum grant of $1,800. The expected family contribution is determined by applying an assessment rate against discretionary family income and family assets. Under current law the first $5,000 of discretionary income is assessed at a rate of 20 percent and discretionary income in excess of $5,000 is assessed at a rate of 30 percent. For the academic year 1978-79, families of dependent students will be given an asset exemption of $17,000 for nonfarm and nonbusiness assets and $50,000 for farms and business assets. Assets in excess of these amounts are assessed at a rate of 5 percent in determining the expected family contribution.

Since its inception, the program has enjoyed spectacular growth, and it is now the cornerstone of a Federal program to provide access to post-secondary education for needy students. In academic year 1976-77, 1,411,000 students received basic grants. The average grant was $820. It is estimated that in the academic year 1979-80 the existing program would provide grants to 2,193,000 students. The average grant would be $944.

The existing program, while providing significant benefits to students from low-income families, did not effectively reach needy students from middle-income families. For example, a student from an average family of four with one in college would not receive a basic grant if the gross family income was in excess of $15,167. The method in which the expected family contribution is calculated produces an unrealistically high expectation of what families are actually able to contribute.

For independent students, assets and income would be treated the same as those of families of dependent students in determining eligibility under the BEOG family contribution schedule. Single independent students with no assets and a $3,450 income would qualify for the maximum $1,800 Basic Grant and the minimum $250 award with an income of $6,000, compared to the current income cutoffs of $1,150 and $3,330, respectively.

For Community Colleges, it is estimated that the increase in BEOG award recipients for 1979-80 at all campuses would range between 30-300 percent. The following illustrates the impact on the BEOG program as a result of the MISAA on selected college campuses.

TABLE N

Impact of BEOG at Community Colleges

Students	Actual BEOG 1975-76	Actual BEOG 1976-77	Actual BEOG 1977-78	Estimated BEOG 1978-79	Estimated BEOG 1979-80
Allan Hancock	552	774	750	650	900
Bakersfield	1003	1363	1324	1000	1300
Butte	439	751	781	720	1600
Cuesta	256	383	414	400	650
Fresno City	1663	2200	2200	2300	8500
L. A. City	3745	3813	5302	5000	8000
Mendocino	67	115	323	500	1000
Pasadena	1585	1585	1939	1800	4300
S. D. City	1259	2115	1960	1850	4000
S. F. City	2730	3800	4980	3400	10000
S. J. Delta	1278	2778	1700	1700	2660

The MISAA will not change the one item which most community college aid administrators feel is uniform - the cost of education. With a few exceptions, community college students will have a minimum cost of education of $1500 ($1100 living allowance and $400 books, supplies, and miscellaneous allowance). This means that the maximum award received by most students has been and will be $762.

The following table is an illustration of the affect of the MISAA based on the assumption that families eligible to receive a BEOG meet the needs test at each income level.

Generally, to receive a Basic Grant in 1978-79 (with no tuition) the adjusted gross income had to be below $13,500. In 1978-79 a $12,500 adjusted gross income for the typical family of four resulted in a Student Eligibility Index (SEI) of 1100. This would generate a $450 BEOG award for a community college student. Under the MISAA, the SEI will be 500 for this same family and the student will be entitled to a Basic Grant of $762. In addition, those families with an income above $13,500 who were previously ineligible, will become eligible under MISAA.

It is possible for students with parental incomes of up to $20,000 or more depending upon family size and assets, to be eligible for a BEOG without tuition.

A $100 tuition charge would raise the cost to $1600; $200 tuition would raise the cost to $1700 and so on. ($1,500 = Basic cost.)

TABLE O

	Cost of Education	Maximum Award
No tuition	$1500	$762
$100 tuition	1600	812
$200 tuition	1700	862
$300 tuition	1800	912
$400 tuition	1900	962
$500 tuition	2000	1012

By using the table, an institution can estimate the number of students eligible for a Basic Grant due to the passage of the MISAA and determine the estimated number of students who would receive larger award assuming a tuition charge.

It should be noted that at the $20,000 family income level the amount Basic Grant a student receives begins to drop.

Award levels are based on the 1978-79 payment schedule for Basic Grants.

Based on Fall 1977 enrollment data and the survey of parental income, the following assumptions can be made about community college participation in the BEOG program.

1977 Fall Enrollment	1,320,000 Students
Full-time	320,000
Part-time	1,000,000

Assuming 8% ineligible on the basis of income, of the 320,00 full time students it is estimated that 294,000 would have been eligible for a Basic Grant under the Middle Income Student Assistance Act.

Of the 1 million part time students, 8% are ineligible because of income, and 28% of the remaining 920,000 eligible attend half time or better leaving only 257,000 eligible.

Because traditionally many community college students who qualify for financial aid do not apply, it can also be assumed that even though an estimated 500,000 students may be eligible for a BEOG, less than half will apply and receive an award under the new MISAA. Therefore, it is estimated that 210,000 students will actually receive a BEOG in 1979-80, or an increase of approximately 100% over 1977-78 program level.

The following table shows how the MISAA would increase funding and participation in the five federal student aid programs in the five states receiving the largest share of federal money.

TABLE P

State	FY 1978 APPROPRIATIONS		IMPACT OF MISAA	
	Total Funding	Total Students	Total Funding	Total Students
California				
BEOG	$192,100,000	292,202	$295,500,000	461,162
SEOG	27,156,314	50,392	37,204,150	69,037
CWS	33,606,022	76,376	42,343,588	96,234
NDSL	32,845,741	89,019	NC	NC
SSIG	10,236,372	NA	NA	NA
Illinois				
BEOG	$ 96,200,000	126,643	$147,900,000	199,872
SEOG	10,619,644	19,704	14,548,912	26,994
CWS	15,948,910	36,256	20,095,626	45,682
NDSL	14,447,924	39,151	NC	NC
SSIG	3,149,182	NA	NA	NA
New York				
BEOG	$260,500,000	306,007	$400,700,000	483,061
SEOG	19,101,557	35,441	26,169,133	48,554
CWS	28,832,630	65,553	36,329,113	82,571
NDSL	27,639,801	74,908	NC	NC
SSIG	6,275,620	NA	NA	NA
Pennsylvania				
BEOG	$104,600,000	126,240	$160,900,000	199,236
SEOG	11,408,207	21,163	15,629,243	28,993
CWS	16,920,185	38,448	21,319,433	48,444
NDSL	14,738,320	39,945	NC	NC
SSIG	2,651,857	NA	NA	NA
Texas				
BEOG	$118,600,000	164,273	$182.400,000	259,262
SEOG	10,883,970	20,193	14,911,038	27,664
CWS	20,748,985	47,160	26,143,721	59,421
NDSL	11,414,829	30,933	NC	NC
SSIG	3,382,659	NA	NA	NA

CONCLUSION

As presented, the staff report on financial aid in community colleges paints a dismal picture.

During the Fall of 1976 California Community Colleges suffered a significant reduction of funds in their federal campus based allocations for the National Direct Student Loan (NDSL), College Work Study (CWS) and Supplemental Educational Opportunity Grant (SEOG) programs for the 1977-78 award year. The Office of Education's response to Chancellor's Office and campus inquiries was that reductions were a direct result of indications of administrative incapability and/or expertise in the California Community College aid offices. These assumptions by the Office of Education were based upon data drawn from the 1975-76 Fiscal Operations Reports, submitted with the tripartite application for funds, which showed high NDSL delinquency rates and under-utilization of SEOG and CWS funds.

A staff review of the 1976-77 and the 1977-78 Fiscal Operations Reports indicates that underutilization has been slowed, but only because of a decrease in the amount the federal government has allocated to the community colleges. Further inquiries of the Office of Education have only reinforced concerns about program management that the USOE have previously expressed to staff in the form of a list of problems.

Staff review of the list confirms that the major concerns of the Office of Education are valid. There are administrative difficulties in the financial aid operations in the community college segment, especially when one examines the underutilization of campus based funds. In addition to concerns regarding the fiscal operations reports data, concurrent problems that have been identified by staff are:

1. Lack of awareness on the part of community college administrators regarding the increasing significance and impact of student financial aid funds in terms of the number of students served and the economy of the campus;

2. Lack of recognition by federal, state and local campus administrators of the actual cost of attending a community college;

3. Apparent lack of institutional commitment to hiring trained professional student aid personnel, providing adequate facilities and equipment;

4. Absences of institutional commitment to provide necessary training for financial aid administrators and support staff;

5. Lack of monitoring student enrollment status from the admissions and records offices for the financial aid office;

6. The complexity and ever-changing nature of both state and federal regulations;

7. Lack of staffing at the state and federal level to provide training and to effectively monitor aid programs;

8. Lack of information on the part of prospective community college students regarding availability and nature of financial aid programs;

9. Lack of data processing capability on many campuses;

10. Budget cuts in the wake of Proposition 13;

11. The impact of the Middle Income Student Assistance Act, and the Basic Educational Opportunity Grant Program adopted regulations;

12. Lack of coordination of responsibility among various campus offices such as business, financial aid, and admissions and records;

13. Institutional policy may actually cause administration problems in financial aid offices.

It is important to emphasize that financial aid administration is notoriously complex. Once in the program it is difficult to withdraw, if not impossible, because of the service it provides to students. Regulations are complex and in a state of constant change, and often only the aid administrator understands or cares about the effect on the programs. Financial aid administrators cannot carry the full burden of responsibility associated with the problems identified. The problems must be shared collectively by the federal government, by state government and by local districts.

The Bureau of Student Financial Assistance (BSFA), and the State of California are responding to the needs of financial aid administrators by taking the following action:

The Bureau of Student Financial Assistance

1) Publishes an operations manual for the five federal programs.

2) Conducts program reviews once every two years.

3) Accepts defaulted National Direct Student Loans under certain conditions.

4) Requires consumer information.

The State of California

1) Convened a Student Financial Aid Policy Study Group.

2) Conducts financial aid training workshops.

3) Funded a financial aid and EOPS operations manual.

4) Introduced legislation to bring state regulations into compliance with federal regulations.

Again, this list is not all inclusive, but it illustrates that there is a recognition of the problems, and that the financial aid administrator is doing the best possible job with the least amount of support.

The Chancellor's Office has worked closely this past year with the California Community Colleges Student Financial Aid Administrators Association. The objective is to work cooperatively with the aid administrators and the regional staff of the BSFA to correct deficiences in community college aid operations. It should be noted that the Aid Administrators Association supports the professionalization and training of community college aid administrators. The Chancellor's Office has and will lend its professional support to those ends.

APPENDIX A
DISTRIBUTION BY COLLEGE OF BEOG AWARDS

College	1975-76 # of Students	1975-76 Dollars	1976-77 # of Students	1976-77 Dollars	1977-78 # of Students	1977-78 Dollars
Alameda	1,589	881,522	2,359	993,521	2,226	875,293
Allan Hancock	552	296,892	774	375,883	750	352,677
American River	1,194	618,652	1,965	944,575	1,979	946,031
Antelope Valley	253	130,801	493	254,270	450	219,745
Bakersfield	1,003	575,606	1,363	709,048	1,324	676,929
Barstow	228	79,275	303	161,969	255	131,133
Butte	439	232,724	751	377,314	784	392,510
Cabrillo	702	400,134	1,202	657,864	1,173	585,078
Canada	200	105,423	335	167,798	261	129,544
Canyons	138	80,953	156	87,564	165	104,642
Cerritos	774	503,200	1,150	600,919	967	515,223
Cerro Coso	56	29,546	56	41,570	93	47,430
Chabot	539	340,168	804	379,800	786	332,731
Chaffey	726	365,942	1,180	634,078	1,156	638,393
Citrus	462	257,428	644	338,939	614	311,580
Coastline	0	0	35	12,490	60	24,725
Columbia	142	97,147	217	117,132	200	104,284
Compton	1,386	831,463	2,349	1,193,353	2,340	1,163,340
Contra Costa	1,121	625,053	1,803	898,561	1,500	759,578
Cosumnes River	429	214,267	572	289,052	624	305,655
Crafton Hills	179	76,008	254	143,975	205	106,435
Cuesta	256	156,664	383	216,259	414	211,243
Cypress	423	248,266	687	355,900	625	317,040
De Anza	593	341,198	898	496,128	801	400,598
Desert	288	167,588	399	243,212	332	192,988
Diablo Valley	411	241,945	734	392,199	637	339,819
East Los Angeles	1,302	684,125	1,727	1,315,974	1,691	985,489
El Camino	1,200	603,677	2,158	1,007,130	2,175	916,488
Evergreen Valley	306	229,949	812	402,992	805	401,843
Feather River	131	75,991	131	77,794	158	90,685
Foothill	445	241,109	699	367,998	684	362,697
Fresno City	1,663	1,088,420	2,200	1,442,446	2,057	1,211,086
Fullerton	648	379,215	1,196	638,377	1,047	501,523
Gavilan	275	128,379	348	168,188	304	136,286
Glendale	411	225,644	666	351,566	673	340,529
Golden West	386	210,952	710	379,693	671	360,898
Grossmont	730	295,816	1,045	567,273	1,054	554,814
Hartnell	359	198,000	549	209.977	482	237,510
Imperial Valley	961	568,514	1,363	709,048	1,163	659,387
Indian Valley	65	32,629	175	88,900	147	77,186
Lake Tahoe	15	9,489	60	37,380	65	31,128
Laney	2,234	1,066,079	3,101	1,428,921	2,922	1,412,875
Lassen	411	211,440	462	296,333	442	258,743
Long Beach City	1,710	796,927	2,216	1,066,800	2,108	929,521
Los Angeles City	3,745	1,976,716	3,813	2,489,763	5,245	2,699,228
LA Harbor	387	216,406	641	176,673	771	366,009
LA Mission	114	61,241	174	94,252	180	96,851
LA Pierce	607	369,181	1,007	532,466	834	403,278
LA Southwest	1,030	602,763	1,579	770,426	2,203	1,118,420
LA Trade-Tech	2,067	1,573,327	3,025	2,126,696	4,963	2,099,377

College	1975-76 # of Students	1975-76 Dollars	1976-77 # of Students	1976-77 Dollars	1977-78 # of Students	1977-78 Dollars
LA Valley	1,039	620,379	1,519	840,514	1,345	694,201
Los Medanos	492	279,368	432	206,700	339	162,055
Marin	403	229,676	680	420,359	604	281,756
Mendocino	67	36,159	115	61,778	158	79,882
Merced	873	489,187	1,300	697,951	1,274	651,641
Merritt	1,201	691,042	1,901	942,268	2,046	985,554
Mira Costa	228	124,860	377	193,912	396	242,610
Modesto	696	415,063	853	594,240	1,086	565,791
Monterey	519	298,166	773	425,489	628	320,611
Mt. San Antonio	1,463	861,304	2,224	1,296,744	2,446	1,295,548
Mt. San Jacinto	285	193,800	373	195,683	341	173,072
Napa	346	205,317	619	338,535	653	350,845
Ohlone	174	98,304	153	32,890	219	99,808
Orange Coast	481	262,784	917	483,000	1,003	504,534
Palomar	786	466,143	1,108	675,918	997	546,797
Palo Verde	141	74,454	85	50,441	91	48,058
Pasadena City	1,585	856,124	1,585	854,252	1,939	1,090,414
Porterville	404	221,687	503	276,850	497	264,214
Redwoods	463	248,657	803	397,352	833	403,957
Reedley	394	241,742	471	277,101	477	272,297
Rio Hondo	834	530,370	1,124	699,760	1,030	644,514
Riverside City	1,167	635,331	1,632	803,236	1,434	695,368
Sacramento City	2,031	1,072,938	3,112	1,535,505	3,036	1,318,052
Saddleback	143	79,143	305	153,915	343	172,658
San Bernardino	1,389	875,506	2,041	1,526,668	1,970	1,011,230
San Diego City	1,259	724,705	2,115	1,116,421	1,987	1,004,841
San Diego Evening	347	170,846	886	362,416	965	399,101
San Diego Mesa	707	423,898	1,394	770,925	1,306	710,238
San Diego Miramar	0	0	20	8,218	61	32,241
San Francisco	2,730	1,755,379	3,800	2,500,000	4,980	2,690,937
San Joaquin Delta	1,278	760,995	2,754	1,063,953	1,777	991,843
San Jose City	964	511,106	1,406	754,309	1,338	703,632
San Mateo	349	190,686	379	218,067	285	157,020
Santa Ana	752	420,462	1,223	606,045	[illegible]	472,102
Santa Barbara City	728	403,768	1,041	557,041	1,001	[illegible],802
Santa Monica	900	702,900	1,531	876,011	1,803	992,752
Santa Rosa	900	535,913	1,405	820,841	1,231	743,828
Sequoias	737	435,884	1,016	584,929	971	543,557
Shasta	547	297,173	677	371,239	598	307,731
Sierra	338	193,676	564	294,815	522	275,062
Siskiyous	143	83,129	215	127,465	207	115,258
Skyline	300	348,730	321	173,905	345	194,625
Solano	630	319,697	750	373,866	744	364,926
Southwestern	951	583,044	1,427	821,077	1,713	935,453
Taft			67	46,145	85	58,400
Ventura CCD	1,573	865,954	2,473	1,353,697	2,130	1,144,812
Victor Valley	306	228,561	470	250,470	474	278,760
West Hills	270	160,629	290	167,892	315	180,754
West Los Angeles	726	368,160	1,311	577,904	1,417	655,963
West Valley	442	248,792	707	372,341	628	319,532
Yuba	930	317,771	899	459,997	804	408,401
TOTAL	71,696	$40,903,249	105,879	$57,502,089	107,030	$54,529,433
	Average Award $570		Average Award $543		Average Award $509	

APPENDIX B

OUTLINE OF STUDY AREAS

Student Financial Aid Policy Study Group

I. REVIEW OF POLICIES AND GOALS OF STUDENT AID

A. Purpose of the Study:
   1. Why was this Study Group formed?
   2. What is our legislative charge?
   3. What is our structure and approach?
   4. What do we hope to accomplish?

B. Historical Context:
   1. What is student aid?
   2. What social and political forces have led to the creation and continuation of major federal and state programs? What recent and current social and political forces are affecting student aid?
   3. What have been the evolving rationales for student aid? What are the current rationales? Who has been "targeted"?
   4. What is the history of fiscal commitment to student aid? What have been the evolving sources of student aid? What is the current commitment and from what sources?
   5. What have been the evolving methods of student aid? What are the current methods?
   6. What have been the priorities of student aid? What are the current priorities?

C. Achievements:
   1. Is it possible to measure the achievements of student aid? What are the limitations on such a determination?
   2. Has there been improvement in the educational and achievement levels of the financially disadvantaged? Is there evidence of improvement in the three traditionally accepted purposes of student aid, i.e., access, retention, and choice?
   3. To what extent are the goals of student aid now embodied in Higher Education?

II. RATIONALE FOR DISTRIBUTION

A. Distribution to Students:
   1. What are the current criteria for selection of recipients? What recommendations might be made? In regard to:
      a. Targeting vs. rationalizing?
      b. Academic performance?
      c. Academic load?
      d. Academic level?
      e. Type of education?
   2. How much assistance do students currently receive? What recommendations might be made?
      a. How are student budgets determined? Are they appropriate?
      b. How are resources analyzed? Is the analysis reasonable and reflective of actual financial conditions?
      c. What are the responsibilities of parents? When is it appropriate to analyze parental ability to contribute to costs? When should the amount of aid be determined solely by the analysis of the student's own resources? What are the responsibilities of spouses? Of other family members? What if "responsible" parties refuse to contribute or supply information?

II. A. 3. What forms of aid do students receive? Under what circumstances? What recommendations might be made?
   a. How much work assistance is available? Are there disincentives which discourage work assistance? Should more/less reliance on work assistance be recommended?
   b. How much loan assistance is available? Is there overuse or underuse of loans in the packaging process? Should more/less reliance on loan assistance be recommended?
   c. How much grant assistance is available? Are students "entitled" to receive grant assistance as a matter of right? Should more/less reliance on grant assistance be recommended?
   d. What is the current expectation of "self-help," and what recommendations might be made, in regard to:
      i. An automatic expectation of "self-help" in the form of outside work or savings which is expected prior to the offer of any student aid?
      ii. A component of work and/or loan in relation to grant in the package of student aid?
   e. Should there be a distinction between aid which meets subsistence costs and aid which meets educational costs?

4. How is student aid "packaged?" How is the "packaging" process limited by regulation? What recommendations might be made?
   a. In regard to federal restrictions?
   b. In regard to state restrictions?

B. Money vs. Services:
1. Which sources of aid provide services to students other than direct payments?
2. What is the nature of these services? To what purpose are the services provided?
3. What is the relationship between money and services? What recommendations might be made?

III. INSTITUTIONAL CONCERNS

A. Distribution:
1. What is the level of indirect revenue received by various types of institutions? What recommendations might be made?
2. What are the historical and current reasons for public support of students in attendance at independent and proprietary institutions?

B. Participation:
1. What are the criteria for participation in student aid? What recommendations might be made for change in criteria?
2. What types of institutions cannot participate in student aid?

C. Impact of Student Aid:
1. What is the institutional cost of administering these programs?
2. What would be the possible effect of tuition in the public sector?

D. Competition and Conflict:
1. What are the principle sources of conflict among types of institutions in regard to student aid?
2. How does student aid function in relation to recruitment and enrollment competition?

IV. THE PARTNERSHIP

A. Members of the Partnership:
   1. Who are the partners?
   2. Are there potential partners who have been ignored?

B. Nature of the Partnership:
   1. What are the responsibilities of the various partners?
   2. What is the current formal/informal relationship between the partners?
   3. What are the vested interests of the various partners?
   4. What are the current areas of conflict and competition among the partners?

C. Implementation of the Partnership:
   1. What is the current communication structure? What might be done to facilitate a better communication?
   2. Which partners have regulatory authority? Is the current authority structure appropriate? Should changes be recommended?

V. METHODS OF EFFECTIVE DELIVERY

A. Management of Student Aid:
   1. In regard to management at the Postsecondary Educational Institutions:
      a. What is the current situation?
      b. What barriers to effective delivery might be identified?
      c. What recommendations might be made for improvement?
   2. In regard to management at the Secondary Institutions:
      a. What is the current situation?
      b. What barriers to effective delivery might be identified?
      c. What recommendations might be made for improvement?
   3. In regard to management at other levels:
      a. What other levels should be addressed?
      b. What is the current situation?
      c. What barriers to effective delivery might be identified?
      d. What recommendations might be made for improvement?
   4. To what extent are management problems lessening the effectiveness of student aid programs?

B. Delivery Mechanisms:
   1. What are the current delivery mechanisms? What barriers to effective delivery can be identified? What recommendations for improvement might be made? In regard to:
      a. Applications?
      b. Processing?
      c. Calendars?
      d. Deadlines?
      e. Allocation of funds?
      f. Disbursal to students?
      g. Packaging?
      h. Documentation?
      i. Involvement of the commercial sector?
   2. What is the current level of "technical disqualification"? What might be recommended to alleviate this problem?

V. C. Accountability:
1. To whom is student aid accountable? Public? Funding Agencies? Students? Parents?
2. What is the level of public confidence in student aid? How do we maintain/improve the level of confidence?
3. What is the level of error or abuse in student aid? How might the incidence of these be reduced?
4. In regard to audits and program reviews:
   a. Who currently conducts audits and program reviews?
   b. What should be the state's role?
   c. How could the management of student aid be improved through such audits and reviews?
5. Is there a conflict between student's needs and auditor's needs? What does each have the right to expect?

D. Level of Discretion:
1. At what level is discretion currently exercised? Where is the most appropriate level of discretion to insure equity and justice?
2. Which is more effective -- discretion and award decisions at a centralized level or at the institutional level? What problems and benefits are associated with each?

E. Student Aid Information and Public Awareness:
1. Are students and public sufficiently aware of student aid?
2. What progress has been made recently?
3. How might awareness be increased effectively?

VI. FORCES OF CHANGE

A. Fiscal:
1. At the federal level?
2. At the state level?
3. At the institutional level? (Secondary and Postsecondary.)
4. Are college costs an increasing burden to students and families?

B. Federal:
1. What social and political forces are currently changing the nature of federal student aid programs?
2. What areas of federal change might be worthy of input from the Study Group?
3. To what extent can changes in state programs make a difference in face of federal domination of the student aid system?

C. Demographic:
1. What changes can be predicted in enrollment patterns?
2. How can student aid meet the needs of students in light of these changing patterns?

D. The student as decision-maker:
1. Is the value of higher education changing? Is the perception of the value of higher education changing? How does this affect student aid?
2. What alternatives to higher education are available to students? Should we consider assistance to persons who choose these other approaches?
3. What is the affect of cost on student decision-making?
4. What other factors affect student decisions?

VI. E. Complexity:
1. Is the growing complexity of student aid a barrier to fulfillment of purposes?
2. How might we lessen the complexity of student aid?
3. Assuming that computer support will aid in the management of complex delivery, what is the cost? What are the social implications of heavy reliance on computer assistance?

F. Grassroots Perceptions:
1. What forces of change are perceived by those at the grassroots of the student aid system?
2. How should these perceptions affect the policies of student aid?

VII. GUIDING PRINCIPLES

A. What principles should guide the design and implementation of student aid? Areas that might be considered:
1. Equal opportunity for access? What is the responsibility of the state in providing access? Should unlimited access be provided?
2. Provision of choice? What limits might be defined for this provision?
3. Symmetry of sacrifice?
4. Simplicity?
5. Efficiency?
6. Achievement of purposes by expending the minimum amount of public funds necessary?
7. Integrity?
8. Student indebtedness?
9. Incentives for students to provide for themselves?
10. Educating the most able to profit from higher education?
11. Potentially negative social consequences of student aid?

B. To what extent should these principles arise from policies that are formulated outside of student aid? How might the student aid system facilitate the principles and policies formulated in other areas of higher education?

C. What are the specific responsibilities of federal, state, local, student, and family "partners" in regard to these principles?

D. Is there a mechanism for evaluating adherence to these principles? Should there be one? How might it operate?

VIII. STRATEGIES AND RECOMMENDATIONS:

A. Federal:
1. What suggestions might be made to the federal government?
2. Are there major changes in approach that might be recommended? For example:
a. A "title" commitment to the states rather than federal delivery?
b. An "Opportunity Fund" for all persons?
3. How can the state best complement the federal system?

B. Tuition:
1. How would the imposition of tuition in California affect the student aid system?
2. What recommendations might be made in regard to the relationship

VIII. C. Alternatives:
1. What alternatives can be considered? For example:
   a. Tax incentives for private enterprise to assist students?
   b. Increased productivity of educational institutions to keep costs low?
2. What alternatives might be recommended?

D. Innovative Methods:
1. What methods can be suggested? For example:
   a. Programs to identify potential recipients while they are still enrolled at the Secondary level?
   b. Programs to facilitate transfer?
2. What methods might be recommended?

E. Research and Evaluation:
1. What is the current situation in regard to research and evaluation? What can be done to improve the situation?
2. What suggestions can we make for further research?
3. What evaluation mechanisms should be recommended?

F. Redesign of California Programs:
1. Which programs might be redesigned?
2. What is the viability and effectiveness of each current program?
3. To what purpose would we offer a redesign?
4. What changes in governance would be necessary?
5. What redesign is appropriate in light of the Study Group findings?

G. Appropriate Level of Funding:
1. Considering the findings of the Study Group, what is the appropriate level of state funding for student aid? Increase? Decrease?
2. How can the state best complement changes in federal funding?
3. How should we utilize SSIG funding?
4. How should funding be distributed among types of assistance?

APPENDIX C

The following are sections of proposed rules printed in the Federal Register Thursday, August 10, 1978, which directly impact community colleges.

"The Commissioner has proposed the standards set forth in this regulation (1) to curb and hopefully eliminate fraud and abuse in the Title IV student assistance programs by institutions, schools, and students, and (2) to increase the level of accountability for student assistance funds administered by institutions of higher education and vocational schools. When these rules go into effect, all institutions must comply with the requirements contained in them. The Commissioner anticipates that over a 3 year period each institution already participating in any Title IV program will be reviewed to determine whether the institution complies with these requirements."

"168.12(d) An institution must deposit all federal funds it receives under the supplemental educational opportunity grant, college work study, national direct student loan and basic educational opportunity grant programs in an account which does not include non-Federal funds or Federal funds from other programs. This account is subject to audit by the Commissioner at such reasonable times as the Commissioner will determine."

168.14 Factors of financial responsibility

"(a) An otherwise eligible institution must be financially able to -

(1) Provide the educational services stated in its official publications and statements

(2) Provide the administrative resources necessary to comply with the requirements set forth under this subpart; and

(3) Meet all its financial obligations including refunds.

(b) An otherwise eligible institution must bond each individual disbursing Title IV funds at the institution in an amount equal to 10 percent of the Title IV funds disbursed by the institution each academic year."

"168.15(a) Designates a capable individual to be responsible for administering all the Title IV programs in which it participates.

(b) Uses an adequate number of qualified persons to administer those programs. In determining whether an institution uses an adequate number of qualified persons, the Commissioner will consider the number of students aided, the number and type of programs in which the institution participates, the number of applications evaluated, and the amount of funds administered."

168.18 Additional factors for evaluating administrative capability and financial responsibility:

"(a) The following conditions may impair an institution's ability to be financially responsible or to be capable of properly administering student financial aid programs authorized under Title IV;

(1) If the principal amount of defaulted loans made to students at an institution under the guaranteed student loan program or the national direct student loan or national direct student loan program represents more than 20 percent of the principal of all such loans which have reached the repayment period.

(2) For an institution which has a common academic year for the majority of its students.

(i) If more than 33 percent of the students who are enrolled at the beginning of an academic year withdraw from enrollment at that institution during that academic year."

These rule changes, if adopted, pose questions about the capability of California Community Colleges to handle what they are currently receiving, much less any additional Title IV funding.

APPENDIX D

Section 190.2a Special Terms

(a) Eligible program: An undergraduate program of education or training which -

(1) Admits as regular students only persons who -

(i) Have a certificate of graduation from a secondary school (high school diploma).

(ii) Have the recognized equivalent of a high school diploma. (The recognized equivalent of a high school diploma is defined in paragraph (d) of this section.) or

(iii) Are beyond the age of compulsory school attendance in the State in which the institution is located, and have the ability to benefit from the education or training offered. An instituion must document a student's ability to benefit from the training offered on the basis of a standardized test, other measurement instrument, practicum examination, or other verifiable indicators such as written recommendations from professional educators, counselors, or persons who are not employed or affiliated with the institution; and

(2) (i) Leads to a bachelor, associate or undergraduate professional degree,

(ii) is at least a two-year program which is acceptable for full credit toward a bachelor degree,

(iii) Is at least a 1-year program leading to a certificate or degree, which prepares students for gainful employment in a recognized occupation. (A 1-year program is defined in Section 190.3(c)), or

(iv) Is, for a proprietary institution of higher education, at least a six-month program leading to a certificate or degree, which prepares students for gainful employment in a recognized occupation. (A six-month program is defined in Section 190.3(d).)

(b) An eligible program of study by correspondence must be designed to require at least 12 hours of preparation a week.

(c) Regular Student: A person who enrolls in an eligible program at an institution of higher education for the purpose of obtaining a degree or certificate.

(d) Recognized equivalent of a high school diploma means -

(1) A General Education Development Certificate (GED), or

(2) A state certificate received after a student has passed a State authorized examination, which that State recognizes as the equivalent of a high school diploma.

APPENDIX E

"Secretary Califano s recent testimony before the House on student financial aid programs highlights our efforts during the past 18 months to improve the management and protect the integrity of these programs. Yet, more than a list of our recent accomplishments, the Secretary's testimony is really about accountability for all of us: the shared responsibility of both the Federal Government and institutions of postsecondary education to manage aid programs carefully and correctly. With more than 7 billion dollars now provided for Federal financial aid, correct management is not an ideal; it is a necessity. Federal aid will directly affect the future of postsecondary education in this country. In time of staggering educational costs and dwindling enrollments, many institutions need these funds just to survive.

As the Secretary's testimony indicates, steps have been taken to improve the way the programs are managed; however, more has to be done. Our most important efforts for effective management involve a partnership with each institution, its financial aid officer, and you as president. One of the most important links in this partnership is the student financial aid officer, who has become one of the most valuable resources an institution has. As Secretary Califano stated in his testimony, the aid officer is the "point at which all the information relating to a student's financial needs, educational costs, and Federal, State, and institutional resources come together." This means not only Federal but State and private aid sources as well. This is a tremendous responsibility and requires the best individuals to fill these jobs.

In fact, support from you is essential in every aspect of your aid officer's work. I know you recognize the amount of long-range planning, recordkeeping, research, reporting, counseling, and public relations activities aid officers must handle, in addition to their responsibility to correctly administer very complex programs from many different sources. Effective management teams can only be established and maintained by providing sufficient funds for salaries, training, and professional and clerical support. As you know, if aid officers are not given the tools with which to work effectively, you will have poorly run aid programs, and you may lose students who may leave or never enroll because of financial reasons. The high turnover (30 percent) and the comparatively low administrative levels (same salary as bookstore manager) of the financial aid officers concern us and I suspect, may concern you.

We recognize that support for the financial aid operation must come from us as well as from you. Commissioner Boyer, Assistant Secretary for Education Berry, and I will attempt to work more closely with you to improve student financial aid programs. I know we can work together to achieve better management and maintain the public's confidence in these programs.

APPENDIX F

Brief Summary of Regional Office, Bureau of Student Financial Assistance, Concerns Related to the Administration of Student Financial Aid Programs by California Community Colleges

The concerns summarized below are based on findings resulting from regional staff program reviews at community colleges and appear to be prevalent and significant enough to be included:

1. Chancellor-required accounting system which makes it difficult, if not impossible to determine for each program, cash on hand; matching fund deposits, where required, separate bank transactions; and NDSL fund deposits and other transactions. Also, it is difficult to identify bank transactions related to student warrants, especially in those cases where warrants were never negotiated.

2. Because most community colleges maintain all student aid funds as a part of the county treasurer's general fund in comingled bank accounts, the basis for assigning interest earned on Federal funds is undeterminable, therefore, interest earned on each of the Federal fund accounts cannot be identified.

3. Current regulations which became effective September 28, 1978, require (see NDSL regulation dated August 24, 1978 Section 144.19(b)) the NDSL funds to be deposited in a separate bank account and contain "all of the fund's cash and no other funds." Also to be deposited in this fund are the institution's capital contributions, loan repayments and all other earnings. Very few community colleges appear to be in compliance with this rule.

4. Evidence of the need for improved working relationships between financial aid office and the fiscal office, generally, at the district office level, is of concern. Herein, the lack of communication and close coordination between these two offices causes breakdowns in the control system, accountability and reporting.

5. A clear definition of responsibilities for student financial aid administration is needed for the financial aid office and the fiscal office. This is especially true when related to complying with NDSL Due Diligence, relating fiscal records to program decisions, report preparation, collections and accounting.

6. Apparently many schools have not appointed (in accordance with Reg. 14 of the various Campus-Based regulations) an official responsible for coordinating OE federally assisted programs with other Federal and non-Federal programs of student financial aid. The lack of adequate on-campus system for exchange of information necessary for the financial aid office to operate the Federal programs in accord with regulations, creates major problems in tracking students, assuming full fund utilization, collections and general quality of administration.

For example:

Assuring that students are not overawarded by having resources unknown to the aid officer, such as other employment on campus, VA assistance, rehabilitation assistance, State Aid.

Knowing when students have registered and for how many units of study; withdrawal dates, academic status to meet satisfactory progress requirements.

7. Schools do not have a written statement which is consistently followed setting forth the priority for the selection of students for financial aid including the various programs.

8. Utilization of funds awarded continues to be a main concern and from year to year reduces allocations below projected requests.

9. Some schools engage in the questionable practice of having students sign receipts for NDSL funds prior to such funds being advanced.

10. Schools do not have in writing measurable standards governing what constitutes satisfactory progress or if they do they are not adhering to them.

11. Considerable confusion exists with respect to what constitutes maintenance of Level of Effort. For example, some schools include EOP funds in Level of Effort, others do not.

12. Most schools do not properly obtain transcripts of records for newly entered students and they do not properly monitor whether a student has received aid elsewhere or determine whether a student has used up all the aid he or she is entitled to under the law.

13. Some confusion exists among schools with respect to whether, under post-Proposition 13, they can pay the minimum wage requirement called for under the regulations, $2.65 per hour now; $2.90 after July 1, 1979; and $3.10 in July 1980.

14. Colleges are not properly executing off campus work agreements; they are not providing proper supervision, controls or verifying hours worked and whether work was performed in a satisfactory manner.

15. Position descriptions for the College Work Study jobs are either non-existent or not being properly prepared and monitored.

16. The unacceptability of high NDSL default rates has panicked some schools to frustration at the expense of tackling and correcting the problem. Very few schools are referring defaults to two collection agencies and taking cases to litigation.

17. Financial aid offices in community colleges are becoming understaffed and staffed with unqualified persons. Standard regulations dealing with certification stress the availability of adequate qualified staff. High default rates; underutilization of program funds; errors in reporting; untimely reporting; audit exceptions; and reduction in funding levels are all signs of possible staff shortages or incompetent administration.

18. While it may be too soon to determine the real effects of Proposition 13 on schools and the concomitant commitment of the institutions to the student financial aid programs and student choice, acceptance and retention, a major study of the second year effects of Proposition 13 on financial aid offices and program is needed.

APPENDIX G

Basic Grants Program - Regular Disbursement System

The Institution agrees to perform the functions and activities set forth in Subpart G of the program regulations (45 CFR 190, Subpart G). These functions include, but are not limited to:

1. determining the eligibility of students to receive awards,
2. computing the amount of Basic Grants according to Subpart F of the program regulations and the payment schedule provided by the Commissioner,
3. documenting and verifying the information on the Student Eligibility Report for students selected by the Commissioner,
4. paying funds to the student directly or to the student's account,
5. recovering award overpayments, and
6. maintaining records and accounting for funds.

Basic Grants Program - Alternate Disbursement System - ADA

Under the Alternate Disbursement System the Institution agrees to perform the functions set forth in Subpart H of the program regulations. (45 CFR 190, Subpart H). These functions include:

1. providing each student, upon request, with the appropriate form needed to calculate the student's award,
2. providing information necessary for the computation and disbursement of awards including confirmation that the student is eligible for a payment,
3. certifying the accuracy of the information supplied by the student,
4. maintaining records relating to a Basic Grant recipient's enrollment status, costs of attendance and period of enrollment, and
5. providing access to the Commissioner or his designate to those records.

The immediate problem of the ADS is the amount of time students would have to wait in order to receive their BEOG. Although this is only an alternative, the amount of time devoted to the BEOG program by an aid office could be directly responsible for some of the problems addressed in the item.

UNIVERSITY OF CALIF.
AUG 10 1979
CLEARINGHOUSE FOR JUNIOR COLLEGES

APPENDIX H

TO: CALIFORNIA COMMUNITY COLLEGE FINANCIAL AID ADMINISTRATORS

FROM: C.C.C.S.F.A.A.A. STUDENT EDUCATION BUDGET COMMITTEE

SUBJECT: RECOMMENDED 1979-80 9 MONTH STUDENT BUDGETS
(Financial Aid Administrators have the flexibility to make exceptions to recommended budgets)

DATE: NOVEMBER, 1978

Budget	Single Commuter (dependent) Full - Time	Single Off-Campus (independent) Full - Time	Married-No Children Full - Time	Single Parent with One Child	Single on Campus (other
Food/Housing	$ 900 to $1150	$1905 to $2625	$3125 to $4520	$3125 to $4520	$___ to $___
Transportation	$ 200 to $ 535	$ 535 to $ 535	$ 535 to $ 535	$ 535 to $ 535	$___ to $___
Personal	$ 510 to $ 510	$ 510 to $ 510	$ 910 to $ 910	$ 910 to $ 910	$___ to $___
Books	$ 225 to $ 225	$ 225 to $ 225	$ 225 to $ 225	$ 225 to $ 225	No recommendation. To be determined by the colleges which have on-campus
Fees/Tuition	$ * to $ *	$ * to $ *	$ * to $ *	$ * to $ *	
Total	$1835 to $2420	$3175 to $3895	$4795 to $6190	$4795 to $6190	
	**plus Tuition/Fees minus Self-Help	**plus Tuition/Fees minus Self-Help	**plus Tuition/Fees minus Self-Help	**plus Tuition/Fees minus Self-Help	
Student Self-Help/Contribution	** $ 350 to $ 750 Or the actual resources as determined by the aid administrator.	** $ 350 to $ 750	** $ 350 to $ 750 plus $1620 Spouse/ parnter contribution, or actual resources	** $ 350 to $ 750 Or actual resources	$___ to $___

Budget Add-Ons

Child Allowance: $120.00 per month for the first child and $100.00 per month for each additional child. Single parent child allowance begins with the second child.

Child Care: To be determined by the institution.

Other: Other necessary expenses related to college attendance as decermined by the institution.

Maximum Awards: To be determined by the institution.

Other Recommendations: Budget for married students, two attending full-time: Add tuition/fees, books and supplies for the spouse/partner to married student budget. Self-help/student contribution $350.00 to $750.00 from each student for the actual resources as determined by the aid administrator.